

# **MAINTENANCE AND DISPOSAL OF SEIZED AND FORFEITED ASSETS IN SELECTED WESTERN DISTRICTS**

## **EXECUTIVE SUMMARY**

The United States Marshals Service (USMS) maintains custody for various assets seized by agencies of the Department of Justice (DOJ). The USMS also disposes of assets after their ownership has been forfeited to the federal government. At the end of fiscal year (FY) 2000, the inventory of seized and forfeited assets in USMS custody was valued at more than \$800 million.

Since 1990 the Comptroller General of the United States has designated asset forfeiture as a high-risk area. Earlier audits by our office and the General Accounting Office (GAO) identified significant problems in USMS management of seized and forfeited assets.

Although recent audit reports by GAO and others have documented improvements in the USMS's management of seized and forfeited assets, we initiated this audit because asset forfeiture remains a high-risk area and we have a continuing responsibility for audit oversight of such areas. Our objectives were to determine whether: (1) current management practices assure that the USMS properly secures, stores, and accounts for seized and forfeited assets; (2) the USMS disposes of forfeited assets in a timely and cost-effective manner; and (3) the USMS has implemented sufficient management actions to correct prior audit findings.

We audited sites in three western USMS districts (Southern California, Nevada, and Arizona) where we tested USMS maintenance and disposal of vehicles, vessels, cash/currency, and financial instruments. We also evaluated the disposal of forfeited jewelry at a nationwide auction held in Las Vegas, NV, in March 2001. In brief, our audit did not identify any significant deficiencies in USMS's management of seized and forfeited assets in the categories we selected at the locations where we audited.

We performed fieldwork in the Southern District of California as a follow-up to our prior work, which had found numerous problems in that district's management of seized and forfeited assets. Our current audit found significant improvements in all areas that we examined in this district.

We performed fieldwork in the District of Nevada in conjunction with our observation of the nationwide jewelry auction held in Las Vegas. We also selected the District of Arizona for testing based on the volume of asset seizure and forfeiture activity in that district. Our testing in those two

districts did not find significant problems in the management of seized and forfeited assets.

For our testing in all the districts audited, we physically verified the existence and location of assets, confirmed the reasonableness of their valuation, and tested whether the USMS promptly disposed of assets after forfeiture. Our methodology included -- as appropriate for the size of the universe of assets at each location -- statistical sampling, judgmental sampling, and 100 percent review. In the tests on assets using statistically selected samples we noted no exceptions; consequently, we are able to state with 95 percent confidence that errors, if any, at the locations tested would not exceed 5 percent of the universe in question. In each instance where we used judgmental sampling or 100 percent review, we were able to account for all selected assets.

Our testing in the three districts also disclosed that the valuation of assets in the Consolidated Assets Tracking System was generally reasonable, and we found that the USMS generally disposed of forfeited assets in a timely manner.

Our audit objectives, scope, and methodology appear in Appendix III.

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## INTRODUCTION

*The Attorney General's Guidelines on Seized and Forfeited Property*<sup>1</sup> (Guidelines) state that:

The [DOJ] asset forfeiture program has three primary goals: (1) to punish and deter criminal activity by depriving criminals of property used or acquired through illegal activities; (2) to enhance cooperation among foreign, federal, state and local law enforcement agencies through the equitable sharing of assets recovered through this program; and, as a by-product, (3) to produce revenues to enhance forfeitures and strengthen law enforcement.

The Guidelines also state that "the integrity of the entire forfeiture program depends upon the faithful stewardship of forfeited property and the proceeds thereof." This stewardship is exercised through the USMS, which has primary responsibility for the maintenance and disposal of seized and forfeited property. Our audit was designed to test USMS performance of its responsibilities with regard to selected categories of assets at certain locations.

We initiated the audit as part of our continuing responsibility for oversight of a program that has been listed by the Comptroller General as a high-risk area since 1990. Our office and the General Accounting Office (GAO) have issued numerous audit reports critical of USMS management of seized and forfeited assets.<sup>2</sup> Recently, however, both GAO and the independent auditors who performed the financial statement audits for DOJ have issued more favorable reports.<sup>3</sup>

We designed our audit to examine the current practices of the USMS and follow up on key issues from prior audit reports. Of particular concern was the management of seized and forfeited vehicles in San Diego, CA. Because of the numerous findings in our 1994 report, we considered it

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<sup>1</sup> July 1990.

<sup>2</sup> Our March 1994 report, *United States Marshals Service Maintenance and Disposal of Seized Assets*, 94-14, documented serious deficiencies, such as the failure to dispose of forfeited assets promptly and to exercise due care in monitoring the performance of service providers at several USMS districts.

<sup>3</sup> For example, in 1999 GAO issued a report, *ASSET FORFEITURE: Marshals Service Controls Over Seized Assets*, GAO/GGD-99-41, with no significant adverse findings based on audit work at four large USMS districts.

necessary to include San Diego in the sites for our current review and to examine the current practices with regard to vehicles in that district. We also performed audit work at Las Vegas, NV, and three sites in the District of Arizona.<sup>4</sup>

We tested the following asset categories at each location: vehicles, vessels, cash/currency, and financial instruments. We also tested jewelry but only at a nationwide auction held in Las Vegas. On a national basis the assets in these categories were valued at \$696,081,000, or more than 85 percent of the dollar value of all asset categories in USMS custody at the end of fiscal year (FY) 2000.

**DOLLAR VALUE OF ASSETS IN CUSTODY AT SEPTEMBER 30, 2000**

<b>CATEGORY</b>	<b>SEIZED</b>	<b>FORFEITED</b>	<b>TOTAL</b>	<b>PERCENT</b>
Cash	\$ 298,189,000	\$ 58,045,000	\$ 356,234,000	43.72
Financial Instruments	226,033,000	13,882,000	239,915,000	29.44
Jewelry	9,004,000	2,657,000	11,661,000	1.43
Vehicles	58,251,000	24,758,000	83,009,000	10.19
Vessels	3,542,000	1,720,000	5,262,000	.65
<b>SUBTOTAL</b>	<b>595,019,000</b>	<b>101,062,000</b>	<b>696,081,000</b>	<b>85.43</b>
All Others	77,307,000	41,407,000	118,714,000	14.57
<b>TOTAL</b>	<b>\$672,326,000</b>	<b>\$142,469,000</b>	<b>\$814,795,000</b>	<b>100.00</b>

Source: OIG Analysis of Data from JMD Asset Forfeiture Management Section

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<sup>4</sup> We performed fieldwork at the District Office in Las Vegas in conjunction with our observation of a nationwide auction sale of forfeited jewelry held in that city in March 2001. We selected the District of Arizona based on its relatively high volume of seized and forfeited vehicles in custody. We performed field work at the District Office in Phoenix and the suboffices in Tucson and Yuma.

## **FINDINGS**

We audited the USMS maintenance and disposal of seized and forfeited vehicles, vessels, cash/currency, financial instruments, and jewelry at three western USMS districts. We tested the inventory and valuation of both seized and forfeited assets, and the retention of forfeited assets. For the asset categories tested at the locations we visited, our audit did not identify any significant deficiencies in the USMS management of seized and forfeited assets. In our judgment, the deficiencies we identified were isolated in nature and did not reflect adversely on the overall management of seized and forfeited assets in those locations.

We performed field work in USMS offices in the Southern District of California and the Districts of Arizona and Nevada. At each site we evaluated the maintenance and disposal of selected categories of seized and forfeited assets. The results of our testing for each asset category are described below.

### **VEHICLES**

We tested seized and forfeited vehicles to determine whether:

- we could account for the inventory as displayed on the Consolidated Asset Tracking System (CATS)<sup>5</sup> printout, "Assets On Hand By Storage Location";
- the valuation of the vehicle, as reported in CATS, was reasonable; and,
- the USMS had retained any forfeited vehicles for excessive lengths of time.

The results of our testing are discussed below.

#### **Vehicle Inventory was Accurately Reported**

We accounted for all seized and forfeited vehicles selected for testing at each of the sites where we performed audit work.

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<sup>5</sup> CATS is a central database that tracks seized and forfeited assets from seizure through disposition. It is used by all the DOJ agencies involved in the asset forfeiture program.

In our testing, we used a combination of 100 percent review, judgmental sampling of vehicles valued at \$30,000 or more, and statistical sampling. When we conducted a 100 percent review and when we tested judgmentally selected vehicles, we noted no exceptions. In our tests on assets selected using statistical samples, we were able to account for each selected vehicle and, consequently, we can state with 95 percent confidence that errors, if any, at the locations tested would not exceed 5 percent of the applicable universe.

The following tables display by location the number of vehicles in the universe and their dollar valuation, and the number and dollar valuation of the vehicles selected for testing. We divided the universe of vehicles in custody into two groups, those that were seized and those that were forfeited and, therefore, available for disposal.

The USMS responsibilities for seized vehicles include secure storage so as to preserve their value until disposal.

#### **SEIZED VEHICLES IN CUSTODY**

<b>LOCATION</b>	<b>NUMBER OF ITEMS</b>	<b>VALUE OF ITEMS (\$)</b>	<b>NUMBER OF ITEMS TESTED</b>	<b>PERCENT OF ITEMS TESTED</b>	<b>VALUE OF ITEMS TESTED (\$)</b>	<b>PERCENT OF VALUE TESTED</b>
Las Vegas, NV	9	730,958	9	100.0	730,958	100.0
San Diego, CA	704	2,854,682	141	20.0	554,512	19.4
Tucson, AZ	171	1,093,182	81	47.4	574,324	52.5
Yuma, AZ <sup>6</sup>	121	158,883	59	48.8	111,252	70.0
<b>TOTAL</b>	<b>1,005</b>	<b>4,837,705</b>	<b>290</b>	<b>28.9</b>	<b>1,971,046</b>	<b>40.7</b>

Source: OIG Verification of CATS Inventory of Seized Vehicles

After seized vehicles are forfeited, the USMS becomes responsible for their sale, transfer to other agencies for official use, or other disposition, as required by the forfeiture decision.

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<sup>6</sup> Includes two seized vehicles, valued at \$9,325, stored at Blythe, CA.

#### FORFEITED VEHICLES IN CUSTODY

LOCATION	43e NUMBER OF ITEMS	VALUE OF ITEMS (\$)	NUMBER OF ITEMS TESTED	PERCENT OF ITEMS TESTED	VALUE OF ITEMS TESTED (\$)	PERCENT OF VALUE TESTED
Las Vegas, NV	8	125,381	8	100.0	125,381	100.0
San Diego, CA	309	1,023,686	89	28.8	411,134	40.2
Tucson, AZ	23	231,276	23	100.0	231,276	100.0
Yuma, AZ	0	0	0	0	0	0
<b>TOTAL</b>	<b>340</b>	<b>1,380,343</b>	<b>120</b>	<b>35.3</b>	<b>767,791</b>	<b>55.6</b>

Source: OIG Verification of CATS Inventory of Forfeited Vehicles

#### Vehicle Valuation was Reasonable

For all the vehicles we tested, both seized and forfeited, we concluded that the valuation recorded in CATS was reasonable. The USMS offices determine the value of vehicles by obtaining the "unadjusted loan" value from the National Automobile Dealers Association (NADA), and then adjusting that amount for the condition of the vehicle and the presence or absence of options. During our testing, we verified the factors that the USMS office had used to enhance or diminish the NADA valuation, and we concluded that in each case the USMS valuation was reasonable.

In addition, sales data from San Diego and Tucson supported, in our judgment, the reasonableness of the valuations reported in CATS. We examined the results from three auction sales of vehicles held in San Diego between January and May 2001. Each sale realized more than 100 percent of the cumulative NADA unadjusted loan values of the vehicles sold.

- On January 10, 2001, 289 vehicles valued at \$892,892 sold for total proceeds of \$915,500, or 103 percent of the NADA loan value.
- On March 14, 2001, 177 vehicles valued at \$487,606 sold for total proceeds of \$645,500, or 132 percent of the NADA loan value.
- On May 9, 2001, 150 vehicles valued at \$497,325 sold for total proceeds of \$553,300, or 111 percent of the NADA loan value.

We also reviewed the only recent sale at the Tucson suboffice of the District of Arizona. At that sale, held in June 2001, the cumulative return



was \$129,450 for 33 vehicles valued at \$161,687, or 80.1 percent of the NADA loan value.

In our judgment, the proceeds from these sales indicate that the USMS generally obtained a fair market value for the vehicles sold in San Diego and Tucson.

### **Forfeited Vehicles were Generally Disposed of Promptly**

The USMS guidelines require the disposal of forfeited vehicles within 120 days after forfeiture, unless they are low-value vehicles that are to be scrapped. In the latter case, the USMS guidelines call for disposal within 60 days.

In San Diego, 2 of the 89 forfeited vehicles we tested had remained in USMS custody for excessive lengths of time. In one case, the delay in disposing of the vehicle resulted from oversight. In the other instance, a contractor's employee damaged a vehicle that had been sold as it was being moved from the lot. The sale was voided and the vehicle was retained while the USMS considered how to proceed. Ultimately, the vehicle was sold at a later date. In our judgment this incidence rate (2.2 percent) is minimal, does not indicate a pattern of mismanagement, and does not adversely reflect on general management of forfeited vehicles in San Diego. We noted no excessive retention of forfeited vehicles at the other sites where we performed audit work.

## **VESSELS**

Our objectives in testing vessels were similar to those for our testing of vehicles: to validate the inventory and its valuation and to evaluate whether there were any unreasonable delays in disposing of forfeited vessels. The results of our testing are as follows.

### **Vessel Inventory was Accurately Reported**

We accounted for all seized and forfeited vessels at each of the sites we audited. Because of the limited number of vessels at those sites, we conducted a 100 percent review in each instance.

**TOTAL VESSELS IN CUSTODY**

<b>LOCATION</b>	<b>NUMBER OF ITEMS</b>	<b>VALUE OF ITEMS (\$)</b>	<b>NUMBER OF ITEMS TESTED</b>	<b>PERCENT OF ITEMS TESTED</b>
Las Vegas, NV <sup>7</sup>	2	9,895	2	100.0
San Diego, CA	7	407,070	7	100.0
Tucson, AZ	7	37,500	7	100.0
<b>TOTAL</b>	<b>16</b>	<b>454,465</b>	<b>16</b>	<b>100.0</b>

Source: OIG Verification of CATS Inventory of Total Vessels

### **Vessel Valuation was Reasonable**

The value of five vessels in custody in San Diego and one in Las Vegas was determined by using the NADA Marine Appraisal Guide. The value of two vessels in San Diego, one in Las Vegas, and all seven vessels in Tucson was established by appraisers retained by the USMS. Based on our review of documentation in the case files, we concluded that the valuation of all the vessels at each of the sites was reasonable. In summary, the documentation was as follows.

- The file relating to an ocean-going vessel in San Diego contained the report of an appraisal by a marine surveyor detailing his findings based on the condition of the ship and its equipment. Similarly, the file relating to a yacht was annotated with the results of an appraisal that gave both the market value (\$155,000) and the replacement value (\$280,000).
- The value of a jet boat in custody in Las Vegas was based on an appraisal by a local dealer.
- The seven vessels in custody in Tucson were all low-value items, and their values were established by appraisals. Three of the vessels were sold for prices that, in our judgment, supported the reasonableness of the appraisals.<sup>8</sup>

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<sup>7</sup> Includes one vessel reported in CATS under the property category "Other."

<sup>8</sup> One vessel was valued in CATS at \$4,000 and sold for \$3,050, the second was valued at \$3,000 and also sold for \$3,050, while the third was valued at \$5,000 and sold for \$3,100.

## **Forfeited Vessels were Disposed of Promptly**

Our testing did not disclose any instances where the USMS had retained forfeited vessels for excessive periods of time.

## **CASH/CURRENCY AND FINANCIAL INSTRUMENTS<sup>9</sup>**

We tested the “cash/currency” and “financial instruments” categories to determine whether:

- we could account for all the inventory as displayed on the CATS printout, “Assets On Hand By Storage Location”; and
- the asset value as reported in CATS was accurate.

## **Inventory of Cash/Currency and Financial Instruments was Accurately Reported**

We accounted for all seized and forfeited “cash/currency” and “financial instrument” assets selected for testing at each of the sites where we performed audit work.

In selecting assets for our testing, we used a combination of statistical sampling, judgmental sampling of assets valued at \$100,000 or more,<sup>10</sup> and 100 percent review.

In our tests on statistically sampled assets, we were able to account for each selected asset; consequently, we can state with 95 percent confidence that errors, if any, at the locations tested would not exceed 5 percent of the assets in the applicable universe. When we conducted a 100 percent review and when we judgmentally selected certain assets for testing, we noted no exceptions.

The following table identifies by location the number of assets in the universe, their dollar value, and the number and dollar value of the assets selected for testing. Although CATS defines cash/currency and financial instruments as separate categories, we combined them for audit purposes.

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<sup>9</sup> Financial Instruments include a variety of items such as money orders, bank accounts, brokerage accounts, and shares of stock.

<sup>10</sup> In addition to assets valued at \$100,000 or more, we also judgmentally sampled unusual assets such as foreign currency.

### TOTAL CASH AND FINANCIAL INSTRUMENTS IN CUSTODY

LOCATION	NUMBER OF ITEMS	VALUE OF ITEMS (\$)	NUMBER OF ITEMS TESTED	PERCENT OF ITEMS TESTED	VALUE OF ITEMS TESTED (\$)	PERCENT OF VALUE TESTED
Las Vegas, NV	117	7,514,913	117	100.0	7,514,913	100.0
San Diego, CA <sup>11</sup>	380	6,185,566	129	33.9	4,217,446	68.2
Phoenix, AZ	171	10,071,694	92	53.8	6,907,472	68.6
<b>TOTAL</b>	<b>668</b>	<b>23,772,173</b>	<b>338</b>	<b>50.6</b>	<b>18,639,831</b>	<b>78.4</b>

Source: OIG Verification of CATS Inventory of Cash/Currency and Financial Instrument Assets

### Valuation of Cash/Currency and Financial Instruments was Accurately Reported

When we conducted a 100 percent review and when we judgmentally selected certain financial assets, we noted no exceptions between the CATS valuation and the amount deposited in the Seized Asset Deposit Fund (SADF) or otherwise in USMS custody.<sup>12</sup>

In our tests of assets selected using statistical sampling, we were able to verify the CATS valuation for each selected financial asset; consequently, we can state with 95 percent confidence that inaccuracies, if any, of the valuation of cash/currency and financial instrument assets at the locations tested would not exceed 5 percent of the assets in the applicable universe.

### Forfeited Cash/Currency was Disposed of Promptly

Our testing of cash/currency did not disclose any instances where forfeited assets were retained for an excessive time after forfeiture. However, we found four instances where the USMS office in San Diego did not make a timely disposal of forfeited financial instruments.

- Two airline tickets, each valued at \$870.40, remained in the USMS office vault in May 2001 even though the USMS had received

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<sup>11</sup> Includes five airline tickets reported in CATS under the property category "Other."

<sup>12</sup> Seized cash is normally deposited in the SADF. We found some other financial instruments that had been converted to cash and deposited in the SADF and some that had been retained in their original form and secured in a USMS vault or safe deposit box.

forfeiture orders for them on October 31, 2000, and March 3, 2001, respectively.

- Five cashier's checks with a total value of \$19,575 had become stale-dated while being stored in the USMS office vault. The checks were still in the USMS vault in May 2001 even though the USMS received a forfeiture order on November 6, 2000.
- A financial instrument described as a "Limited Oil Partnership Interest," valued at \$95,000, remained in USMS custody even though a Stipulation for Compromise Settlement had conveyed the interests to the United States as of September 29, 1986.<sup>13</sup> In May 2001, the USMS Headquarters was able to dispose of the asset and realize a return of \$63,063.

Because these appear to be isolated instances, we are not offering a formal audit recommendation for corrective action. However, in our judgment the USMS should evaluate the adequacy of its policies and procedures to prevent negotiable instruments from becoming stale-dated and to ensure the timely disposal of forfeited financial assets.

## **JEWELRY**

The USMS Headquarters scheduled a national auction in Las Vegas, NV in March 2001 to dispose of forfeited jewelry and collectibles from 40 (of 94) USMS districts throughout the country. We observed the auction, which included 527 lots from the USMS plus more than 500 from other law enforcement entities. A total of 152 bidders registered for the auction.

According to a representative of the USMS Asset Forfeiture Office, the proceeds from this auction were the third highest amount realized in the past five years of the contract with the auctioneer. The sales proceeds of \$1,005,895 represented 95.3 percent of the appraised value of the assets sold.

A USMS representative at the auction told us that the high bid for several items was below the reserve amount established by the USMS, so those items were retained for sale at a later auction. In our judgment that action was an appropriate measure to protect the Government's interest in obtaining a fair return from the sale of such assets.

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<sup>13</sup>An amendment to the Stipulation, dated January 29, 1991, restored a royalty interest to the claimant.

Based on our observation of the auction, we concluded that the USMS disposes of forfeited jewelry in an orderly process that obtains a reasonable rate of return for the government. We also concluded that the centralized sale of forfeited jewelry made it unnecessary to perform additional audit work on jewelry at individual USMS districts.

## **BEST PRACTICE**

Our audit identified a noteworthy practice at three sites that in our judgment the USMS should consider for more widespread adoption. This practice involves the use of digital cameras to photograph vehicles.

The USMS maintenance and disposal personnel at San Diego, Tucson, and Yuma use digital cameras to document the existence and condition of vehicles. We believe that creating a photographic file can protect the interests of the government in the event that a dispute arises later on. For example, photographs can be very helpful in establishing the condition of the vehicle at the time of sale.

The Tucson and Yuma offices employ comprehensive practices by taking several exterior photographs as well as interior photographs showing the odometer reading for all vehicles. In our judgment, establishing a photographic record of the odometer reading is an especially noteworthy practice.

## APPENDIX I

### STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the USMS maintenance and disposal of seized assets. The audit generally covered the period October 1, 2000, through June 30, 2001, and included a review of selected activities and transactions. The audit was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

In connection with the audit, and as required by the standards, we tested transactions and records to obtain reasonable assurance about the agency's compliance with laws and regulations that, if not complied with, we believe could have a material effect on program operations. Compliance with laws and regulations applicable to maintenance and disposal of seized assets is the responsibility of USMS management.

Our audit included examining, on a test basis, evidence concerning laws and regulations. The specific laws for which we conducted tests are contained in 21 USC § 881 (Forfeitures) and *The Attorney General's Guidelines on Seized and Forfeited Property*, July 1990.

Our tests indicated that, for the assets and records tested, the USMS generally complied with the provisions of applicable laws, and guidelines, except as noted in the report.

With respect to those transactions not tested, nothing came to our attention that caused us to believe that USMS management was not in compliance with applicable laws.

## **APPENDIX II**

### **STATEMENT ON MANAGEMENT CONTROL STRUCTURE**

In planning and performing our audit of the USMS's maintenance and disposal of seized assets, we considered the management control structure for the purpose of determining our audit procedures. This evaluation was not made for the purpose of providing assurance on the USMS's overall management control structure. However, we noted certain matters involving the management control structure and operation of the USMS's maintenance and disposal activities that we consider to be reportable conditions under generally accepted government auditing standards.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the management control structure that, in our judgment, could adversely affect the USMS's ability to manage the maintenance and disposal of seized assets.

Our audit identified the following deficiency: controls were not sufficient in San Diego to prevent seized checks from becoming stale-dated while in USMS custody.



### AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed laws, regulations, and guidelines relating to the maintenance and disposal of seized and forfeited assets, and we reviewed the reports of audits performed since we issued our report, *United States Marshals Service Maintenance and Disposal of Seized Assets*, 94-14, March 1994. Our audit purpose was to examine current USMS practices and to follow up on significant findings from prior audits conducted by our office and others.

Since 1990, the Comptroller General of the United States has designated the DOJ asset forfeiture program as a high-risk area.<sup>14</sup> Recent audits, however, have found significant improvements in the USMS management of seized and forfeited assets. For example, after testing several asset categories at four USMS districts, GAO issued a report in 1999 that described only relatively minor discrepancies in the CATS database.

We conducted audit work at USMS Headquarters in Washington, DC, and at the District Offices in Las Vegas, NV; San Diego, CA; and, Phoenix, AZ. We also performed testing at the suboffices in Tucson and Yuma, AZ.

We selected the following categories for testing: vehicles, vessels, cash/currency, financial instruments, and jewelry. At the end of fiscal year 2000, these categories accounted for more than 85 percent of the dollar value of all seized and forfeited assets in USMS custody.

We performed our audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of records and procedures as we considered necessary. The scope of our audit included a review of current USMS practices and testing of selected assets on hand at the time of our visit to each location (generally between March and June 2001).

The techniques used for asset sample selection for testing included statistical sampling, judgmental sampling, and 100 percent review. We employed statistical sampling for: seized vehicles in San Diego, Tucson, and Yuma; forfeited vehicles in San Diego; cash/currency in San Diego; and,

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<sup>14</sup> *ASSET FORFEITURE: Marshals Service Controls Over Seized Assets*, GAO/GGD-99-41, p. 1.

cash/currency and financial instruments in Phoenix.<sup>15</sup> In each instance, we performed statistical sampling because the universe of each asset category at the given locations was sufficient to make such sampling practical. The statistical sampling designs and the test results enabled us to state with 95 percent confidence that the error rate, if any, at the locations tested would not exceed 5 percent of the assets in the applicable universe. However, it is important to note that the results of our statistic sampling cannot be projected to any other USMS office or to the USMS as a whole.

We judgmentally selected certain additional assets to those selected using statistical sampling so that we could ensure that all high-value assets were tested. The judgmentally selected assets included vehicles valued at \$30,000 or more; in San Diego we selected cash/currency and financial instrument assets valued at \$100,000 or more. We also judgmentally selected certain unusual items, such as foreign currency, that in our view merited examination.

We reviewed 100 percent of assets wherever the universe at a given location was small enough to enable us to test all of them.

In performing our audit, we used data contained in CATS to identify assets on hand and to select samples for testing. We did not audit CATS or establish the reliability of data contained in the CATS database as a whole; however, when the data used are viewed in context with other available evidence, we believe the opinions and conclusions contained in this report are valid.

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<sup>15</sup> In the District of Arizona, we combined cash/currency and financial instruments into one universe for audit purposes.

APPENDIX IV

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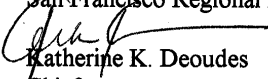


U.S. Department of Justice

United States Marshals Service

Arlington, VA 22202-4210  
January 30, 2002

MEMORANDUM TO: M. Thomas Clark  
Regional Audit Manager  
San Francisco Regional Audit Office

FROM:   
Katherine K. Deoudes  
Chief  
Asset Forfeiture Office

SUBJECT: Response to Audit: U.S. Marshals Service (USMS)  
Maintenance and Disposal of Seized and  
Forfeited Assets In Selected Western Districts

This is to follow up our December 11, 2001, meeting on the above referenced audit.

With regard to the negotiable instruments that were found in the Southern District of California, we have reviewed the U.S. Marshals Service (USMS) policies and procedures with the district office. We believe that the current policies are sufficient to prevent negotiable instruments from becoming stale-dated and that these were isolated instances. However, the Asset Forfeiture Office will issue a reminder to all districts regarding the procedures, emphasizing the importance for ensuring that appropriate steps are taken so that negotiable instruments do not become stale-dated.

Also, as we discussed at our meeting, some of the USMS Asset Forfeiture Units of our districts are currently using digital cameras to create a photographic record of the condition of seized vehicles. The other districts are using Polaroid and other cameras to photograph seized assets. Our review indicates that approximately half of our districts with the larger inventories have been issued digital cameras. The current policy requires front, back, side and interior photos to document the condition of seized vehicles. As part of the revision of our Personal Property Policy Manual, we will include the requirement of taking a photographic record of the odometer reading with a self-date stamp, whenever possible. This procedure will supplement odometer information on the inspection report that is currently required.

If you have any further questions, please feel free to contact me on (202) 307-9009.

*An Accredited Law Enforcement Agency*